

VZCZCXRO8502
RR RUEHROV
DE RUEHTV #0362/01 0421326
ZNR UUUUU ZZH
R 111326Z FEB 09
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC 0465
INFO RUEHKK/ARAB ISRAELI COLLECTIVE

UNCLAS SECTION 01 OF 02 TEL AVIV 000362

SENSITIVE

SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [PINR](#) [KDEM](#) [IS](#)
SUBJECT: With Elections Over, Campaigning Begins

¶1. (SBU) SUMMARY: The polls have closed, but Israel remains without a clear winner in national elections held on February 10. Tzipi Livni's Kadima Party thus far has won 28 seats to Likud's 27 in the 120-member Knesset, but Likud leader Binyamin Netanyahu still could well vault into the lead after all votes are counted in the next couple of days. Even if Livni remained in the lead and later this month is charged by President Shimon Peres with the task of forming a government, the right-wing composition in the next Knesset will pose challenges to her attempts. A unity government of Kadima, Likud, and Ehud Barak's Labor party is her stated preference, but rank-and-file opposition within these parties makes that outcome unlikely. A rotating prime ministership deal is possible, but precedent for that is not encouraging and unlikely to be accepted by the Likud. Barring such a power-sharing deal, Livni has limited options, as only two parties comprising 16 seats are to her left. Regardless of the ultimate outcome, Livni's performance was better than many had expected and helped cement her leadership of the party. Netanyahu has numerous coalition options that leave him best-positioned to form a government, and he is known to want an alternative to a right-wing only coalition that hamstrung his short-lived government in the 1990s. He likely will look to Labor, SHAS, and Yisrael Beiteinu, with the option of adding small religious and nationalist parties to round out his coalition. Labor under Barak crashed, leading most in the party to demand it serve in the opposition. Barak, however, revels in his role as Defense Minister and could serve under either Livni or Netanyahu. Yisrael Beiteinu's Lieberman was the dark horse candidate of the election, but his party garnered fewer seats than polls had predicted. His consolation is that he is well-positioned to play kingmaker. Though tilted toward the right, he has not ruled out serving under Livni and will use his position to exact a high price for his participation in the next government. End Summary.

PRESIDENT PERES TO TAP (BLANK) TO FORM NEW GOVERNMENT

¶2. (U) Israelis went to the polls yesterday to select their next leader, but will have to wait a while longer to find out who that leader is likely to be. According to Israel's Basic Law, once official election results are published (no later than February 18), President Peres has one week to consult with party leaders to determine which leader he assesses is most likely to be able to form a new government. Foreign Minister Livni and her Kadima Party appear to hold a one-seat edge over Netanyahu's Likud party, but two major factors cast doubt on whether Livni will be tasked with forming a government. First, the votes of 220,000 soldiers, merchant marine, and diplomats abroad have not been counted and could shift as many as eight seats among various parties. In the past, soldiers' votes have largely favored right-wing parties, meaning Netanyahu has a good chance to edge out Livni or win an equal number of Knesset seats. Vote-sharing arrangements between the parties could also change the final tallies. Second, the right-wing bloc outpaced the left-leaning bloc, providing Netanyahu with more natural ideological allies with which to pursue a coalition. In the words of Ha'aretz analyst Yossi Verter, "Only Israel's version of democracy could come up with the largest political bloc being comprised of Likud and right-wing and ultra-Orthodox parties at the same time that the largest party (Kadima) is the one leading the center-left camp."

UNITY?

13. (U) Though television commentators and morning-after newspaper graphic artists splayed out myriad coalition options that Livni or Netanyahu could pursue, it is too soon to forecast the most likely coalition outcome with any certainty. Early assessments suggest that the most logical (and most stable) option for Livni or Netanyahu would be a national unity coalition that includes Kadima, Likud, Labor, and possibly Yisrael Beiteinu or the two ultra-Orthodox parties (SHAS and United Torah Judaism). That would yield a large governing coalition with leaders (at least Netanyahu, Livni and Barak) whose political views are not that far apart. However, each party has members loathe to join forces in such a manner, and the only option for accommodating the ambitions of Livni and Netanyahu would be a rotational deal whereby each serves as prime minister for two years. Such was the compromise worked out by Shimon Peres (Labor) and Yitzhak Shamir (Likud) in the 1980s. Netanyahu's allies are pooh-poohing such an arrangement, arguing that their bloc bested Kadima's. Netanyahu has made a point of stressing that he is awaiting the final election results, and, in any case, is the leader of the "nationalist" bloc that is larger than Livni's.

KADIMA WON THE ELECTION, BUT MAY LOSE PRIME MINISTERSHIP

14. (U) Livni's vigorous campaigning, along with an effective campaign message questioning whether the country could trust Netanyahu's leadership, helped her win over a sizable portion of undecided voters heading into the final days of the electoral cycle, as well as some votes from the left that would have gone to Labor or Meretz if the race between Livni and Netanyahu had not been neck-and-neck. Buoyed by this better-than-expected performance as

TEL AVIV 00000362 002 OF 002

revealed in the exit polls, Livni claimed that she should be tasked with forming the next government, and she reiterated her interest in a national unity coalition that would include Likud and Labor. While she quickly set to work on negotiating potential coalition agreements (her first appointment was with Avigdor Lieberman of Yisrael Beiteinu), the lack of natural ideological allies means she likely faces an uphill battle. Kadima has only two Zionist parties to its left (Labor and Meretz), whose seats together with Kadima's (44) fall far short of the 61 needed to form a viable coalition. Arab parties, which comprise 11 seats, also are unlikely to support Kadima, given Kadima's pre-election support of a Yisrael Beiteinu effort to ban two of the Arab parties. Furthermore, Arab parties have never been invited (or asked to join) a Zionist coalition, though they did support then-PM Rabin's government in the 1990s.

15. (U) No matter the composition of the eventual coalition, Livni cemented her hold on the reins of the Kadima party by leading a strong charge down the stretch that overcame Likud's long-held lead in the polls. While a possible stint in the opposition still could test Kadima's cohesiveness, the party's performance in the elections at least temporarily answers questions about the party's viability as a centrist party.

LIKUD - SNATCHING VICTORY FROM APPARENT DEFEAT?

16. (SBU) Netanyahu's front-runner status led him to run a cautious campaign in which he avoided public debates with Livni but belittled her credentials in ways that may have offended women voters, and only belatedly fought for the votes of the more right-wing segment of the electorate. Despite losing Likud's lead and what seemed a sure grip on the premiership, Netanyahu remains best-positioned to form the next government because the larger right-wing Knesset bloc affords him a broader range of possibilities than does Livni. Two weeks ago SHAS announced its intention to join a Likud-led government. Netanyahu also will turn to Yisrael Beiteinu, which shares Likud's more hawkish views on the Palestinian question. The Likud leader will make a play for Labor, too, as Netanyahu was careful to refrain from any criticism of Labor leader Ehud Barak, and he all but publicly declared that he would prefer to have Barak continue to serve as Defense Minister in his government. Netanyahu can also use the interest of smaller parties interested in joining the government - United Torah Judaism, Jewish Home, and National

Union - to leverage his bargaining power with the larger parties.

LABOR - A TIME FOR REFLECTION

17. (SBU) The Labor party, which led Israel for a majority of the country's existence, sank to its nadir in this election, winning just 13 seats and causing most party stalwarts to strongly advocate for a stint in the opposition. These members, including Barak's key ally "Fuad" Ben Eliezer, view the party's long-term prospects as dire if it remains a junior partner in a coalition, and believe that only by remaining outside the government can they rebuild the party.

Barak, however, has only said that he will do what is best for the party and country, but made clear that he does not fear going into the opposition. Despite these claims and his own statement that 13 seats would undermine Labor's claim to the MOD, Barak often takes little heed of his party's wishes, and could serve as Defense Minister under Netanyahu or Livni if asked. In such a scenario, he would likely cite as justification the threats from Iran, Hizballah, and Hamas and the need for the government to have a strong, experienced Defense Minister. While there have been no calls to overthrow Barak, party bylaws require a party leadership primary within 14 months of a defeat in national elections.

LIEBERMAN - A NEW POWER BROKER

18. (SBU) Lieberman's Yisrael Beiteinu party vaulted Labor to become the third largest party in Israel. Party activists voiced some disappointment in the results, as polls leading up to the election predicted that the party could win 20 seats or more. Nonetheless, Lieberman is positioned to strongly influence which party will lead - and which parties will participate in - the government. He has refused to play his hand thus far, and though he prefers to work with the right-wing, nationalist camp, he has not ruled out serving under Livni (but did not endorse her following their first post-election meeting today). His dalliances with Kadima and Likud suggest he is likely to try to extract a high price for his party's participation in a coalition. He pledged during his campaign to enact a law allowing civil marriages, which puts him on a collision course with SHAS, whose spiritual leader heaped stinging criticism on Lieberman in the final days of the campaign. Lieberman also could opt to remain outside the coalition in order to continue to build up his base; he has his sights set on the premiership, with a goal of obtaining 30 seats in the next election, but he faces police investigations that could hamper his effort to get there.

CUNNINGHAM